

Annual Financial Statements

for

Ntambanana Municipality



for the year ended 30 June: **2011**

Province:

KwaZulu Natal

AFS rounding:

R (i.e. only cents)

Contact Information:

| | |
|--|--|
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Ntambanana Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2011

General information

Members of the Council

| | |
|----------------|-----------------------------------|
| WK Vilakazi | Speaker |
| GK Khumalo | Mayor |
| MJ Xulu | Deputy Mayor |
| EM Chonco | Member of the executive committee |
| CL Xulu | Member |
| SZ Xulu | Member |
| TF Zincume | Member |
| DP Simelane | Member |
| SB Sibiya | Member |
| MM Cebekhulu | Member |
| KD Sibiya | Member |
| LC Mfeka | Member |
| GF Biyela | Member |
| HF Mthiyane | Member |
| B Mabaso | Member |
| HC De Villiers | Member |

Municipal Manager

RP Mnguni

Chief Financial Officer

TRN Myeza

Grading of Local Authority

Grade 1

Auditors

Auditor-General

Ntambanana Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2011

General information (continued)

Registered Office: Ntambanana Municipality offices

Physical address:
Buchana Reserve
Next to Buchanana Police Station
Ntambanana
Empangeni
3880

Postal address:

Private Bag x 20066
Empangeni

3880

Telephone number: 035 793 7091/2/3

Fax number: 035 793 7094

E-mail address: mngunir@ntambanana.org.za

Ntambanana Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2011

Approval of annual financial statements

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 5 to 59, in terms of Section 126(1) of the Municipal Finance Management Act No 56 of 2003 and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 19 of these Annual Financial Statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Municipal Manager:

DATE

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for the year ended 30 June 2011

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| Ntambanana Municipality STATEMENT OF FINANCIAL POSITION as at 30 June 2011 | | | |
|--|-------------|-------------------|-------------------|
| | Note | 2011 R | 2010 R |
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 1 | 6,326,667 | 3,759,769 |
| Trade and other receivables | 2 | 489,744 | 530,147 |
| Other receivables | 3 | 198,048 | 213,860 |
| VAT receivable | 7 | 1,105,298 | 779,378 |
| Non-current assets held for sale | 5 | 3,352,001 | 3,352,001 |
| Non-current assets | | | |
| Property, plant and equipment | 4 | 23,084,638 | 16,493,094 |
| Total assets | | 34,556,396 | 25,128,249 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 6 | 106,292 | 1,266,061 |
| Current portion of unspent conditional grants and receipts | 10 | 9,194,502 | 2,808,054 |
| Non-current liabilities | | | |
| Total liabilities | | 9,300,794 | 4,074,115 |
| Net assets | | 25,255,602 | 21,054,134 |
| NET ASSETS | | | |
| Accumulated surplus / (deficit) | | 25,255,602 | 21,054,133 |
| Total net assets | | 25,255,602 | 21,054,133 |

| Ntambanana Municipality STATEMENT OF FINANCIAL PERFORMANCE for the year ending 30 June 2011 | | | |
|---|-------------|-------------------|-------------------|
| | Note | 2011 | 2010 |
| | | R | R |
| Revenue | | | |
| Property rates | 11 | 1,544,271 | 1,034,090 |
| Rental of facilities and equipment | 12 | 135,947 | 118,737 |
| Interest earned - external investments | 13 | 428,186 | 325,395 |
| Interest earned - outstanding receivables | 14 | 82,031 | 55,966 |
| Government grants and subsidies | 15 | 48,714,834 | 40,470,145 |
| Other income | 17 | 119,655 | 373,907 |
| Total revenue | | 51,024,923 | 42,378,240 |
| Expenses | | | |
| Employee related costs | 18 | 7,791,018 | 6,730,390 |
| Remuneration of councillors | 19 | 2,324,044 | 1,909,629 |
| Depreciation and amortisation expense | 20 | 1,272,785 | 731,439 |
| Repairs and maintenance | 8 | 390,561 | 242,362 |
| Contracted services | 21 | 515,518 | 450,597 |
| Grants expenditure | 22 | 27,220,176 | 18,513,627 |
| General expenses | 23 | 7,242,342 | 6,156,349 |
| Total expenses | | 46,756,444 | 34,734,392 |
| Gain / (loss) on sale of assets | 24 | 67,010 | 4,382 |
| (Impairment loss) / Reversal of impairment loss | | - | 384,195 |
| Surplus / (deficit) for the period | | 4,201,469 | 7,255,272 |

Ntambanana Municipality
STATEMENT OF CHANGES IN NET ASSETS
as at 30 June 2011

| | Revaluation Reserve | Other reserves | Total: Reserves | Accumulated Surplus/(Deficit) | Total: Net Assets |
|---|------------------------|-------------------|-----------------|----------------------------------|-------------------|
| Note | R | R | R | R | R |
| Balance at 30 June 2009 | | | - | 13,766,067 | 13,766,067 |
| Changes in accounting policy | | | | | - |
| Correction of prior period error | | | | | - |
| Restated balance | | | | 13,766,067 | 13,766,067 |
| Surplus / (deficit) on revaluation of property of property, plant and equipment | - | - | - | | - |
| Other items | | | | | - |
| Other items | | | | | - |
| Net gains and losses not recognised in the statement of financial performance | | | | | - |
| Transfers to / from accumulated surplus/(deficit) | | - | - | 32,794 | 32,794 |
| Surplus / (deficit) for the period | | | | 7,255,271 | 7,255,271 |
| Balance at 30 June 2010 | - | - | - | 21,054,133 | 21,054,133 |
| Correction of prior period error | | | | | - |
| Restated balance | - | - | - | 21,054,133 | 21,054,133 |
| Surplus / (deficit) on revaluation of property of property, plant and equipment | | | | | - |
| Other items | | | | | - |
| Other items | | | | | - |
| Net gains and losses not recognised in the statement of financial performance | | | | | - |
| Transfers to / from accumulated surplus/(deficit) | | | | | - |
| Surplus / (deficit) for the period | | | | 4,201,469 | 4,201,469 |
| Balance at 30 June 2011 | - | - | - | 25,255,602 | 25,255,602 |

| Ntambanana Municipality CASH FLOW STATEMENT as at 30 June 2011 | | | |
|--|-------------|--------------------|--------------------|
| | Note | 2011 R | 2010 R |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts | | 10,512,703 | 3,437,194 |
| Cash Receipts from ratepayers, government and others | | 54,289,184 | 8,070,126 |
| Cash paid to suppliers and employees | | (43,368,505) | (6,165,349) |
| Finance income | | (407,976) | 1,913,778 |
| Net cash flows from operating activities | 25 | 10,512,703 | 1,532,417 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of fixed assets (PPE) | | (7,945,803) | (8,282,461) |
| Proceeds from sale of fixed assets | | | |
| Proceeds from sale of investments | | | |
| Purchase of intangibles | | | |
| Decrease/(Increase) in Loans and receivables | | | |
| Net cash flows from investing activities | | (7,945,803) | (8,282,461) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from borrowings | | | |
| Repayment of borrowings | | | |
| Proceeds from finance lease liability | | | |
| Repayment of finance lease liability | | | |
| Net cash flows from financing activities | | 2,566,900 | (6,750,045) |
| Net increase / (decrease) in net cash and cash equivalents | | 2,566,900 | (6,750,045) |
| Net cash and cash equivalents at beginning of period | | 3,759,768 | 10,509,813 |
| Net cash and cash equivalents at end of period | 26 | 6,326,668 | 3,759,768 |

Examples of operating activities

- a) cash receipts from taxes, levies and fines;
- (b) cash receipts from charges for goods and services provided by the entity;
- (c) cash receipts from grants or transfers and other appropriations or other budget authority made by national government or other entities;
- (d) cash receipts from royalties, fees, commissions and other revenue;
- (e) cash payments to other entities to finance their operations (not including loans);
- (f) cash payments to suppliers for goods and services;
- (g) cash payments to and on behalf of employees;
- (h) cash receipts and cash payments of an insurance entity for premiums and claims, annuities and other policy benefits;
- (i) cash payments of local property taxes or income taxes (where appropriate) in relation to operating activities;
- (j) cash receipts and payments from contracts held for dealing or trading purposes;
- (k) cash receipts or payments from discontinuing operations; and
- (l) cash receipts or payments in relation to litigation settlements.

Examples of Investing Activities

- (a) cash payments to acquire property, plant and equipment, intangibles and other long-term assets. These payments include those relating to capitalised development costs and self-constructed property, plant and equipment;
- (b) cash receipts from sales of property, plant and equipment, intangibles and other long-term assets;
- (c) cash payments to acquire equity or debt instruments of other entities and interests in joint ventures (other than payments for those instruments considered to be cash equivalents or those held for dealing or trading purposes);
- (d) cash receipts from sales of equity or debt instruments of other entities and interests in joint ventures (other than receipts for those instruments considered to be cash equivalents and those held for dealing or trading purposes);
- (e) cash advances and loans made to other parties (other than advances and loans made by a public financial institution);
- (f) cash receipts from the repayment of advances and loans made to other parties (other than advances and loans of a public financial institution);
- (g) cash payments for futures contracts, forward contracts, option contracts and swap contracts, except when the contracts are held for dealing or trading purposes, or the payments are classified as financing activities; and
- (h) cash receipts from futures contracts, forward contracts, option contracts and swap contracts, except when the contracts are held for dealing

Examples of Financing Activities

- a) cash proceeds from issuing debentures, loans, notes, bonds, mortgages and other short or long-term borrowings;
- (b) cash repayments of amounts borrowed; and
- (c) cash payments by a lessee for the reduction of the outstanding liability relating to a finance lease.

NTAMBANANA MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2011

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. These Annual Financial Statements have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

These standards are summarised as follows:

| | |
|----------|--|
| GRAP 1 | Presentation of Financial Statements |
| GRAP 2 | Cash Flow Statement |
| GRAP 3 | Accounting Policies , Changes in Accounting Estimates and Errors |
| GRAP 4 | The Effects of Changes in Foreign Exchange Rates |
| GRAP 5 | Borrowing Costs |
| GRAP 6 | Consolidated and Separate Financial Statements |
| GRAP 7 | Investments in Associates |
| GRAP 8 | Investments in Joint Ventures |
| GRAP 9 | Revenue from Exchange Transactions |
| GRAP 10 | Financial Reporting in Hyperinflationary Economies |
| GRAP 11 | Construction Contracts |
| GRAP 12 | Inventories |
| GRAP 13 | Leases |
| GRAP 14 | Events After the Reporting Date |
| GRAP 16 | Investment Properties |
| GRAP 17 | Property, Plant and Equipment |
| GRAP 19 | Provisions, Contingent Liabilities and Contingent Assets |
| GRAP 100 | Non-current Assets Held for Sale and Discontinued Operations |
| GRAP 101 | Agriculture |
| GRAP 102 | Intangible Assets |

Accounting policies for material transaction, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraph 7,11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The Accounting Standards Board has set transitional provisions for individual standards of GRAP as set out in Directive 4 issued in March 2009. Details of the transitional provisions applicable to the municipality have been provided in the notes to the Annual Financial Statements.

A summary of the significant accounting policies which have been consistently applied except where transitional provisions has been granted are disclosed below.

1.2 PRESENTATION CURRENCY

These Annual Financial Statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 GOING CONCERN ASSUMPTION

These Annual Financial Statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT

1.4 NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

| | |
|----------|---|
| GRAP 18 | Segment Reporting - issued March 2005 |
| GRAP 21 | Impairment of Non-Cash-generating-assets - issued March 2009 |
| GRAP 23 | Revenue from Non-Exchange Transactions - issued February 2008 |
| GRAP 24 | Presentation of Budget Information - issued November 2007 |
| GRAP 26 | Impairment of Cash-generating-assets - issued March 2009 |
| GRAP 103 | Heritage Assets - issued July 2008 |
| IAS 19 | Employee Benefits - effective 1 January 2009 |
| IFRIC 17 | Distribution of Non-cash Assets to Owners - effective 1 July 2009 |

2 PROPERTY, PLANT AND EQUIPMENT

2.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset's) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

2.2 SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. **Land** is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

2.3 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

| Infrastructure Assets | | Other Assets | |
|------------------------------|-------------|---------------------------------|-------------|
| Roads and Paving | 30 years | Buildings | 30 years |
| Stormwater Drainage | 20 years | Specialist vehicles | 10 years |
| Community Assets | | Other vehicles | 5 years |
| Buildings | 30 years | Office equipment | 3-7 years |
| Recreational Facility | 20-30 years | Furniture and fittings | 7-10 years |
| Security | 5 years | Bins and containers | 5 years |
| Community Halls | 30 years | Specialised plant and equipment | 10-15 years |
| Libraries | 30 years | Landfill sites | 15 years |
| Parks and gardens | 10 years | Computer equipment | 3 years |
| Finance Lease Assets | | | |
| Office equipment | 4 years | | |

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Ntambanana Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Boards, in terms of Directive 4 issued in March 2009, with respect to the measurement of property, plant and equipment as set out in paragraph 73 to 83.

2.4 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

3 INTANGIBLE ASSETS

3.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licenses, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset's) given up.

3.2 SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

3.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

| | |
|-------------------|---------|
| Computer software | 5 years |
|-------------------|---------|

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Ntambanana Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Boards, in terms of Directive 4 issued in March 2009, with respect to the measurement of Intangible Assets as set out in paragraph 110 to 118.

3.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4 INVESTMENT PROPERTY

4.1 INITIAL RECOGNITION

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is the cost at date of completion.

4.2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period.

5 NON-CURRENT ASSETS HELD FOR SALE

5.1 INITIAL RECOGNITION

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

5.2 SUBSEQUENT MEASUREMENT

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

6 FINANCIAL INSTRUMENTS

6.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value.

6.2 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

6.2.1 INVESTMENTS

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

6.2.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

Provision for doubtful debts is calculated by categorising the outstanding into three:

| | |
|---|---------------------------|
| Category A are government properties and those who owe less the 30 days. No provision is made for them. | Category B |
| are those who irregular payers, and the debts is more then 60 days. The provision is made at 25% | Category C are bad payers |
| and the provision is at 50% | |

6.2.3 FINANCIAL LIABILITIES: ACCOUNTS PAYABLE

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

6.2.4 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

7 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

8 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

9 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

10 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

11 LEASES

11.1 MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

11.2 MUNICIPALITY AS LESSOR

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease installments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

12 REVENUE

12.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

12.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible Councilors or officials is virtually certain.

12.3 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

13 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

14 RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and Councillors. Contributions are made to the Natal Joint Municipal Pension Fund to fund the obligations for the payment of retirement benefits in accordance with the rules of the defined benefit funds it administers. Contributions are recognised as an expense in the statement of Financial Performance.

The funds are actuarially valued every three years using the discounted cash flow method. Any deficits identified by the actuary are recovered from participating municipalities in the form of surcharges added to the contributions which are recognised as an expense in the statement of Financial Performance in the year that they become payable.

15 IMPAIRMENT OF ASSETS

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

Impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

16 TRANSITIONAL PROVISIONS

Ntambanana Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Board, as set out in Directive 4 issued in March 2009 as follows:

| | |
|----------|---|
| GRAP 1 | Presentation of Financial Statements - paragraphs 7-8A |
| GRAP 9 | Revenue from Exchange Transactions - paragraphs 37-38 |
| GRAP 12 | Inventories - paragraphs 45-52 |
| GRAP 13 | Leases - paragraphs 55-60 |
| GRAP 17 | Property, Plant and Equipment - paragraphs 73-83 |
| GRAP 19 | Provisions, Contingent Liabilities and Contingent Assets - paragraph 93-94E |
| GRAP 102 | Intangible Assets - paragraph 110-118 |

| | | | | |
|----------|--|-----------------------|-------------------------------------|--------------------|
| | | | | |
| | | | | |
| | Ntambanana Municipality | | | |
| | NOTES TO THE FINANCIAL STATEMENTS | | | |
| | for the year ended 30 June 2011 | | | |
| | | Note | 2011 | 2010 |
| | | | R | R |
| | Bank statement balance at beginning of year | | 64,471 | |
| | Bank statement balance at end of year | | 64,471 | |
| | Cash on hand | | - | - |
| | Total cash and cash equivalents | | 6,326,667 | 3,759,769 |
| | Total bank overdraft | | - | - |
| | | | | |
| 2 | TRADE AND OTHER RECEIVABLES | Gross Balances | Provision for Doubtful Debts | Net Balance |
| | Trade receivables | R | R | R |
| | as at 30 June 2011 | | | |
| | Service debtors | | | |
| | Rates | 967,203 | 477,459 | 489,744 |
| | Refuse | - | - | - |
| | Total | 967,203 | 477,459 | 489,744 |
| | Other receivables | - | - | - |
| | Other receivables | - | - | - |
| | Total Trade and other receivables | 967,203 | 477,459 | 489,744 |
| | as at 30 June 2010 | | | |
| | Service debtors | | | |
| | Rates | 1,103,893 | 573,746 | 530,147 |
| | Refuse | - | - | - |
| | Total | 1,103,893 | 573,746 | 530,147 |
| | Other receivables | - | - | - |
| | Other receivables | - | - | - |
| | Total Trade and other receivables | 1,103,893 | 573,746 | 530,147 |
| | Rates: Ageing | | | |
| | Current (0 – 30 days) | | | |
| | 31 - 60 Days | | | 82,967 |
| | 61 - 90 Days | | | 73,780 |
| | 91 - 120 Days | | | 810,456 |
| | Total | - | - | 967,203 |
| | | | | |
| 2 | Reconciliation of the doubtful debt provision | | | |
| | Balance at beginning of the year | | 573,746 | - |
| | Contributions to provision | | 477,459 | 573,746 |
| | Balance at end of year | | 1,051,205 | 573,746 |
| | | | | |
| 3 | OTHER RECEIVABLES | | | |
| | Other debtors | | 198,048 | 213,860 |
| | Total Other Debtors | | 198,048 | 213,860 |
| | | | | |

Ntambanana Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

4 PROPERTY, PLANT AND EQUIPMENT

| 4.1 Reconciliation of Carrying Value | Land and Buildings | Other Assets | Total |
|--|-----------------------|-------------------|-------------------|
| | R | R | R |
| as at 1 July 2010 | 2,233,438 | 14,259,656 | 16,493,094 |
| Cost/Revaluation | 2,833,212 | 16,974,344 | 19,807,556 |
| Accumulated depreciation and impairment losses | (599,774) | (2,714,688) | (3,314,462) |
| Acquisitions | 57,684 | 7,888,119 | 7,945,804 |
| Capital under Construction | - | - | - |
| Depreciation | (95,562) | (1,191,688) | (1,287,250) |
| Carrying value of disposals | - | (67,010) | (67,010) |
| Cost/Revaluation | - | (227,747) | (227,747) |
| Accumulated depreciation and impairment losses | - | 160,737 | 160,737 |
| Impairment loss/Reversal of impairment loss | - | - | - |
| Transfers | - | - | - |
| as at 30 June 2011 | 2,195,560 | 20,889,078 | 23,084,638 |
| Cost/Revaluation | 2,890,896 | 24,634,716 | 27,525,612 |
| Accumulated depreciation and impairment losses | (695,336) | (3,745,638) | (4,440,974) |

Refer to Appendix A for more detail on property, plant and equipment

Ntambanana Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

| 4.1 Reconciliation of Carrying Value | Land and Buildings | Other Assets | Total |
|--|-----------------------|-------------------|-------------------|
| | R | R | R |
| as at 1 July 2009 | 5,969,634 | 6,713,015 | 12,682,649 |
| Cost/Revaluation | 6,733,212 | 8,717,164 | 15,450,376 |
| Accumulated depreciation and impairment losses | -763,578 | (2,004,149) | (2,767,727) |
| Acquisitions | | 66,313 | 66,313 |
| Correction of error accumulated | | | |
| Capital under Construction | - | 8,216,148 | 8,216,148 |
| Depreciation | | (731,439) | (731,439) |
| Transfer to assets held for sale | (3,736,196) | | (3,736,196) |
| Cost | (3,900,000) | | (3,900,000) |
| Accumulated depreciation | 163,804 | | 163,804 |
| Carrying value of disposals | - | (4,381) | (4,381) |
| Cost/Revaluation | - | (25,281) | (25,281) |
| Accumulated depreciation and impairment losses | - | 20,900 | 20,900 |
| Impairment loss/Reversal of impairment loss | - | - | - |
| Transfers | - | - | - |
| *Other movements | - | - | - |
| as at 30 June 2010 | 2,233,438 | 14,259,656 | 16,493,094 |
| Cost/Revaluation | 2,833,212 | 16,974,344 | 19,807,556 |
| Accumulated depreciation and impairment losses | (599,774) | (2,714,688) | (3,314,462) |

Refer to Appendix A for more detail on property, plant and equipment

| | | | |
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| | | | |
| | Ntambanana Municipality | | |
| | NOTES TO THE FINANANCIAL STATEMENTS | | |
| | for the year ended 30 June 2011 | | |
| | | 2011 | 2010 |
| | | R | R |
| 5 | NON-CURRENT ASSETS HELD FOR SALE | | |
| | Property, plant and equipment | - | - |
| | Investment property | 3,352,001 | 3,352,001 |
| | Other assets | - | - |
| | | 3,352,001 | 3,352,001 |
| | | | |
| | <i>The Heatonberry farm is held for sale , the council took a decision to dispose off the farm, the farm is currently under Municipality name.</i> | | |
| | | | |
| 6 | TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS | | |
| | Trade creditors | 106,292 | 932,481 |
| | Leave and Bonus Accruals | | 227,757 |
| | Other creditors | | 105,823 |
| | Total creditors | 106,292 | 1,266,061 |
| | The fair value of trade and other payables approximates their carrying amounts. | | |
| | | | |
| 7 | VAT RECEIVABLE | | |
| | VAT receivable | 1,105,298 | 779,378 |
| | | 1,105,298 | 779,378 |
| 8 | Repairs and maintainance | 390,561 | 242,362 |
| 9 | PROVISIONS | | |
| | Provision for performance bonuses | 250,910 | - |
| | Provision for doubtful debts(see note 2) | 477,459 | 367,588 |
| | Provision for leave | 241,008 | 398,257 |
| | Total Provisions | 718,467 | 765,845 |
| | | | |
| | The balance of the performance bonus provisions relate to amounts not yet paid to s 57 employees. | | |
| 10 | UNSPENT CONDITIONAL GRANTS AND RECEIPTS | | |
| 10.1 | Unspent Conditional Grants from other spheres of Government | | |
| | MIG Grants | - | 132,099 |
| | FMG Grants | - | 213,426 |
| | NEP Grants | 5,719,231 | 2,775,669 |
| | MSIG Grants | 0 | (271,637) |
| | Housing Grants | 87,928 | 63,400 |
| | Corridor Grants | - | 83,656 |
| | Waste management Grants | 3,387,343 | - |
| | Sport Grant | - | 3,203 |
| | LED Grants | (0) | (40,501) |
| | Lottery Grants | 0 | 88,950 |
| | MAP Grants | - | 53,265 |
| | IDP Grants | - | 50,520 |
| | Establishment Grants | - | 315,136 |
| 10.2 | Other Unspent Conditional Grants and Receipts | - | - |
| | Total Unspent Conditional Grants | 9,194,502 | 3,467,186 |
| | | | |
| | | | |
| | | | |
| 11 | PROPERTY RATES | | |
| | <u>Actual</u> | | |

| | | | |
|-------------|--|--------------------|--------------------|
| | | | |
| | Ntambanana Municipality | | |
| | NOTES TO THE FINANANCIAL STATEMENTS | | |
| | for the year ended 30 June 2011 | | |
| | | 2011 | 2010 |
| | | R | R |
| | Residential | 2,091,692 | 1,362,540 |
| | Less: income forgone: | (547,421) | (328,450) |
| | Rebates | 21,746 | 272,755 |
| | Remission | 525,675 | 55,695 |
| | | - | - |
| | Total property rates | 1,544,271 | 1,034,090 |
| | Total | 1,544,271 | 1,034,090 |
| | Valuations | | |
| | commercial | 937,600 | |
| | Residential | 22,885,000 | |
| | Agriculture | 136,436,000 | 139,316,001 |
| | Governement/State | 75,877,575 | 122,928,602 |
| | Municipal(Ingonyama Trust Land) | 38,604,000 | 9,426,000 |
| | Total Property Valuations | 274,740,175 | 271,670,603 |
| | | | |
| | | | |
| | | | |
| 12 | RENTAL OF FACILITIES AND EQUIPMENT | | |
| | | | |
| | Rent-internal | 18,150 | 17,421 |
| | Heatonberry farm rental | 117,797 | 101,316 |
| | Total rentals | 135,947 | 118,737 |
| | | | |
| 13 | INTEREST EARNED - EXTERNAL INVESTMENTS | | |
| | | | |
| | Bank | 428,186 | 325,395 |
| | Total interest | 428,186 | 325,395 |
| | | | |
| 14 | INTEREST EARNED - OUTSTANDING RECEIVABLES | | |
| | | | |
| | Rates-debtors | 82,031 | 55,966 |
| | Total interest | 82,031 | 55,966 |
| | | | |
| 15 | GOVERNMENT GRANTS AND SUBSIDIES | | |
| | | | |
| | Equitable share | 14,749,971 | 12,527,494 |
| | MIG Grant | 7,307,009 | 7,488,550 |
| | National Electrification Programme | 23,456,439 | 14,873,812 |
| | MSIG | 829,482 | 582,108 |
| | National Treasury-FMG | 1,235,796 | 619,263 |
| | LED-Grant | 104,825 | 1,319,500 |
| | National Lottery Grant | - | 244,383 |
| | Corridor Development | 453,622 | 988,946 |
| | Project Consolidate | - | 568,491 |
| | Sport Grant | 52,033 | 727,598 |
| | Refuse removal | 525,656 | 530,000 |
| | Other Government Grants and Subsidies | | - |
| | Total Government Grant and Subsidies | 48,714,834 | 40,470,145 |
| | | | |
| 16.1 | Equitable Share | | |
| | In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly FBE, which is funded from the Equitable share grant. | | |
| | | | |
| 16.2 | MIG Grant | | |
| | | | |
| | Balance unspent at beginning of year | 132,099 | 1,720,649 |
| | Current year receipts | 7,175,000.00 | 5,900,000 |
| | Conditions met - transferred to revenue | (8,362,666) | (7,488,550) |
| | Conditions still to be met - remain liabilities | (1,055,567) | (132,099) |
| | | - | |
| 16.3 | MSIG Grant | | |
| | Balance unspent at beginning of year | 34,147 | (735,000) |
| | Current year receipts | 750,000 | |

| | | | |
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| | | | |
| | Ntambanana Municipality | | |
| | NOTES TO THE FINANANCIAL STATEMENTS | | |
| | for the year ended 30 June 2011 | | |
| | | 2011 | 2010 |
| | | R | R |
| | Conditions met - transferred to revenue | (784,147) | 465,350 |
| | Conditions still to be met - remain liabilities | 0 | (271,637) |
| | | | |
| 16.4 | NEP Grant | | |
| | Balance unspent at beginning of year | 2,775,670 | 5,849,481 |
| | Current year receipts | 26,400,000 | 11,800,000 |
| | Conditions met - transferred to revenue | (23,456,439) | (14,873,812) |
| | Conditions still to be met - remain liabilities | 5,719,231 | 2,775,669 |
| | | | |
| 16.5 | Housing Grant | | |
| | Balance unspent at beginning of year | 63,400 | 1,864 |
| | Current year receipts | - | 63,400 |
| | Conditions met - transferred to revenue | 24,528 | (1,864) |
| | Conditions still to be met - remain liabilities | 87,928 | 63,400 |
| | | | |
| 16.6 | LED Projects | | |
| | Balance unspent at beginning of year | 40,501 | - |
| | Current year receipts | - | 1,300,000 |
| | Conditions met - transferred to revenue | (40,501) | (1,340,501) |
| | Conditions still to be met - remain liabilities | (0) | (40,501) |
| | | | |
| 16.7 | National lottery Grant | | |
| | Balance unspent at beginning of year | 88,950 | 82 |
| | Current year receipts | 333,333 | 333,251 |
| | Conditions met - transferred to revenue | (422,283) | (244,383) |
| | Conditions still to be met - remain liabilities | 0 | 88,950 |
| | | | |
| 16.8 | Establishment Grant | | |
| | Balance unspent at beginning of year | - | 315,136 |
| | Current year receipts | - | - |
| | Conditions met - transferred to revenue | - | (315,136) |
| | Conditions still to be met - remain liabilities | - | - |
| | | | |
| 16.9 | Sport facility Grant | | |
| | Balance unspent at beginning of year | 3,202 | 102 |
| | Current year receipts | - | 730,800 |
| | Conditions met - transferred to revenue | (3,202) | (727,700) |
| | Conditions still to be met - remain liabilities | - | 3,202 |
| | | - | |
| 16.1 | Corridor Development Grant | | |
| | Balance unspent at beginning of year | - | 473,781 |
| | Current year receipts | - | 1,000,000 |
| | Conditions met - transferred to revenue | - | (1,557,437) |
| | Conditions still to be met - remain liabilities | - | (83,656) |
| | | | |
| 16.11 | Disaster relief Grant | | |
| | Balance unspent at beginning of year | 10,300 | 10,300 |
| | Current year receipts | - | - |
| | Conditions met - transferred to revenue | (10,300) | |
| | Conditions still to be met - remain liabilities | - | 10,300 |
| | | | |
| 16.12 | MAP Grant | | |
| | Balance unspent at beginning of year | 53,264.66 | 53,265 |
| | Current year receipts | 0 | - |
| | Conditions met - transferred to revenue | -53264.66 | - |
| | Conditions still to be met - remain liabilities | - | 53,265 |
| | | | |
| 16.13 | IDP Grant | | |
| | Balance unspent at beginning of year | 50,520 | 308,440 |
| | Current year receipts | - | |
| | Conditions met - transferred to revenue | (50,520) | (257,920) |
| | Conditions still to be met - remain liabilities | - | 50,520 |
| | | | |
| 16.14 | MFMA Grant | | |
| | Balance unspent at beginning of year | 35,796 | |
| | Current year receipts | 1,200,000 | 750,000 |
| | Conditions met - transferred to revenue | (1,235,796) | (714,204) |

| | | | |
|--------------|--|------------------|------------------|
| | | | |
| | Ntambanana Municipality | | |
| | NOTES TO THE FINANANCIAL STATEMENTS | | |
| | for the year ended 30 June 2011 | | |
| | | 2011 | 2010 |
| | | R | R |
| | Conditions still to be met - remain liabilities | - | 35,796 |
| | | - | |
| 16.15 | Waste managementGrant | | |
| | Balance unspent at beginning of year | - | - |
| | Current year receipts | 3,912,999 | - |
| | Conditions met - transferred to revenue | (525,656) | - |
| | Conditions still to be met - remain liabilities | 3,387,343 | - |
| | | | |
| | | | |
| 17 | OTHER INCOME | | |
| | Other income: | | |
| | Tender monies | 43,164 | 40,815 |
| | Telephone costs recovered | 4,574 | 4,279 |
| | Hall hire | 1,175 | 1,726 |
| | Sundry income | 70,741 | 327,087 |
| | Total Other Income | 119,655 | 373,907 |
| 18 | EMPLOYEE RELATED COSTS | | |
| | Employee related costs - Salaries and Wages | 5,551,964 | 4,799,581 |
| | Employee related costs - Contributions for UIF, pensions and medical aids | 965,741 | 793,496 |
| | Travel, motor car, accommodation, subsistence and other allowances | 943,034 | 871,458 |
| | Housing benefits and allowances | 44,546 | 43,246 |
| | Overtime payments | 90,777 | 139,231 |
| | Other employee related costs | 194,957 | 83,378 |
| | Employee Related Costs | 7,791,018 | 6,730,390 |
| | | | |
| | Remuneration of the Municipal Manager | | |
| | Annual Remuneration | 571,489 | 373,570 |
| | Travel, motor car, accommodation, subsistence and other allowances | 175,774 | 160,402 |
| | Back pay | 18,538 | |
| | Contributions to UIF | 1,497 | 1,497 |
| | Total | 767,298 | 535,469 |
| | | | |
| | Remuneration of the Chief Finance Officer | | |
| | Annual Remuneration | 525,839 | 343,695 |
| | Travel, motor car, accommodation, subsistence and other allowances | 161,739 | 147,569 |
| | Back pay | 17,097 | |
| | Contributions to UIF | 1,497 | 1,497 |
| | Total | 706,172 | 492,761 |
| | | | |
| | Remuneration of Corporate services Directors | | |
| | Annual Remuneration | 471,199 | 343,695 |
| | Travel, motor car, accommodation, subsistence and other allowances | 130,248 | 147,569 |
| | Leave pay | 13,005 | |
| | Back pay | 17,097 | |
| | Contributions to UIF | 1,497 | 1,497 |
| | Total | 633,045 | 492,761 |
| | | | |
| 19 | REMUNERATION OF COUNCILLORS | | |
| | Mayor | 169,498 | 148,300 |
| | Cell allowances | 165,101 | 140,551 |
| | Councillors | 1,439,515 | 1,245,219 |
| | Travel allowances | 549,929 | 375,559 |
| | Total Councillors' Remuneration | 2,324,044 | 1,909,629 |
| | | | |
| | In-kind Benefits | | |
| | The Mayor is provided with an office and secretarial support at the cost of the Council. The Mayor has a full time driver provided by the council. | | |

| | | | |
|-----------|--|-------------------|-------------------|
| | | | |
| | Ntambanana Municipality | | |
| | NOTES TO THE FINANANCIAL STATEMENTS | | |
| | for the year ended 30 June 2011 | | |
| | | 2011 | 2010 |
| | | R | R |
| | | | |
| | | | |
| 20 | DEPRECIATION AND AMORTISATION EXPENSE | | |
| | Buildings | 95,562 | - |
| | Furniture & Fittings | 251,751 | 57,490 |
| | Office Equipment | 188,981 | 62,220 |
| | Community Facilities | 146,642 | 284,026 |
| | Sport Facilities | 419,590 | 287,526 |
| | Motor Vehicles | 184,723 | 40,176 |
| | Total Depreciation and Amortisation | 1,272,785 | 731,439 |
| | | | |
| | | | |
| | | | |
| 21 | CONTRACTED SERVICES | | |
| | | | |
| | | | |
| | Agency fees | 1,565 | 1,429 |
| | sceptic tank | 21,511 | 21,467 |
| | IT support | 158,369 | 174,249 |
| | Security | 334,072 | 253,452 |
| | | 515,518 | 450,597 |
| | | | |
| 22 | GRANTS EXPENDITURE | | |
| | FMG | 1,362,102 | 790,611 |
| | Corridor | 453,622 | |
| | MAP | 52,265 | |
| | lotto | 422,283 | |
| | Sport grant | 3,202 | |
| | LED | 104,825 | |
| | Disaster | 10,300 | |
| | MSIG | 829,482 | 629,824 |
| | Refuse removal | 525,656 | - |
| | National Electrification Programme | 23,456,439 | |
| | | 27,220,176 | 18,513,627 |
| | | | |
| | | | |
| 23 | GENERAL EXPENSES | | |
| | | | |
| | Included in general expenses are the following:- | | |
| | | | |
| | Advertising | 34,674 | 19,193 |
| | Refreshments | 48,897 | 147,321 |
| | Pauper burials | 261,102 | 104,893 |
| | Internal Audit fees | 172,078 | 168,408 |
| | Bank charges | 20,210 | 51,381 |
| | Bursaries | - | 14,168 |
| | Mayoral projects | 1,000,000 | 448,963 |
| | Conferences and delegations | 7,406 | 19,951 |
| | Community services | 420,439 | 502,949 |
| | Electricity and water | 60,617 | 37,987 |
| | Free basic energy | 731,439 | 637,304 |
| | Grants and donations | - | 7,102 |
| | Fuel and oil | 283,608 | 227,988 |
| | Insurance | 210,050 | 231,855 |
| | Legal expenses | 52,403 | 19,928 |
| | Licence fees - | 8,846 | 5,892 |
| | Levies and Membership fees | 3,595 | 5,580 |
| | LED Programmes | 61,135 | 41,450 |
| | Postage | 6,086 | 6,473 |
| | Printing and stationery | 225,066 | 642,403 |
| | Professional fees | 248,527 | 7,050 |
| | Publicity | 115,618 | 75,522 |
| | Refuse removal | - | 201,698 |
| | Rent plant , vehicles and Machinery | 303,294 | 340,901 |
| | Staff year end function | - | 16,452 |
| | Stores & M aterial | 45,970 | 86,057 |

| | | | |
|-------------|---|-------------------|------------------|
| | | | |
| | Ntambanana Municipality | | |
| | NOTES TO THE FINANANCIAL STATEMENTS | | |
| | for the year ended 30 June 2011 | | |
| | | 2011 | 2010 |
| | | R | R |
| | Subsistence and travelling | 293,549 | 288,637 |
| | VAT clearing | 913,915 | 284,555 |
| | Telephone cost | 297,383 | 289,221 |
| | Training | 96,499 | 74,999 |
| | UDM Rural Metro Shared Services | 477,628 | 291,886 |
| | Uniforms & Protective clothing | 16,623 | 15,112 |
| | Grader expenses | 45,400 | - |
| | Audit fees | 274,298 | - |
| | Purchase of books | 5,004 | - |
| | Archive | 18,090 | - |
| | Skills development levy | 82,071 | 73,801 |
| | Valuation roll | 400,825 | - |
| | | 7,242,342 | 5,313,279 |
| 24 | GAIN / (LOSS) ON SALE OF ASSETS | | |
| | Property, plant and equipment: | - | - |
| | Proceeds | - | - |
| | Cost | 160,737 | 25,281 |
| | Less: accumulated depreciation | (93,727) | (20,900) |
| | Carrying amount | - | - |
| | Total Gain / (Loss) on Sale of Assets | 67,010 | 4,382 |
| | | | |
| | | | |
| 25 | CASH GENERATED BY OPERATIONS | | |
| | Surplus/(deficit) for the year | 4,201,469 | 7,255,271 |
| | Adjustment for:- | | |
| | Depreciation and amortisation | 1,272,785 | 731,439 |
| | (Gain) / loss on sale of assets | (67,010) | (4,382) |
| | Contribution to provisions - current | | |
| | Finance costs | - | - |
| | Impairment loss / (reversal of impairment loss) | - | 384,195 |
| | Other non-cash item | | 416,989 |
| | Operating surplus before working capital changes: | 5,407,244 | 8,408,081 |
| | (Increase)/decrease in inventories | | - |
| | (Increase)/decrease in trade receivables | 1,449,038 | (330,454) |
| | (Increase)/decrease in other receivables | 40,403 | (19,689) |
| | (Increase)/decrease in VAT receivable | 461,959 | (375,456) |
| | Increase/(decrease) in conditional grants and receipts | 6,386,448 | (5,053,371) |
| | Increase/(decrease) in trade payables | (256,421) | (1,067,677) |
| | Increase/(decrease) in consumer deposits | | (29,019) |
| | Cash generated by/(utilised in) operations | 10,512,703 | 1,532,416 |
| | | | |
| 26 | CASH AND CASH EQUIVALENTS | | |
| | Cash and cash equivalents included in the cash flow statement comprise the following: | | |
| | Bank balances and cash | 6,326,668 | 3,759,769 |
| | Bank overdrafts | - | - |
| | Net cash and cash equivalents (net of bank overdrafts) | 6,326,668 | 3,759,769 |
| | | | |
| | | | |
| | | | |
| | | | |
| 27 | Audit fees | | |
| | Current year audit fee | 274,298 | 349,407 |
| | | | |
| | DISCLOSURES | | |
| 28 | CAPITAL COMMITMENTS | | |
| | | | |
| 28.1 | Commitments in respect of capital expenditure | | |

| | | | |
|-------------|--|------------------|-------------------|
| | | | |
| | Ntambanana Municipality | | |
| | NOTES TO THE FINANANCIAL STATEMENTS | | |
| | for the year ended 30 June 2011 | | |
| | | 2011 | 2010 |
| | | R | R |
| | - Approved and contracted for | 84,975 | 7,746,846 |
| | Infrastructure | 84,975 | 7,746,846 |
| | Community | - | - |
| | Heritage | - | - |
| | Other | - | - |
| | - Approved but not yet contracted for | 8,744,379 | 14,918,919 |
| | Infrastructure | 8,744,379 | 14,918,919 |
| | Community | - | - |
| | Heritage | - | - |
| | Other | - | - |
| | Total | 8,829,354 | 22,665,765 |
| | This expenditure will be financed from: | | |
| | - Government Grants | 8,829,354 | 22,665,765 |
| | | 8,829,354 | 22,665,765 |
| 28.2 | Operating leases | | |
| | At the reporting date the entity has outstanding commitments under operating leases which fall due as follows: | | |
| | Operating leases - lessee | | |
| | Within one year | 400,335 | 253,685 |
| | In the second to fifth year inclusive | 767,309 | - |
| | After five years | | |
| | Total | 1,167,643 | 253,685 |
| 29 | Contingent liabilities | | |
| | Case between the Municipality and Mr XC Mzobe was still pending at financial year end | | |
| | The amount of R173 035.00 is payable should the case be in favour of Mr XC Mzobe | 173 035.00 | |
| | | | |
| | | | |
| | | | |

Ntambanana Municipality
APPENDIX A
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2011

| | Cost / Revaluation | | | | | Accumulated Depreciation | | | | | Transfers | Other movements | Carrying Value |
|------------------------------|--------------------|------------------|------------------|--------------------|-------------------|--------------------------|--------------------|----------------|---|--------------------|-----------|-----------------|-------------------|
| | Opening Balance | Additions | Disposals | Under Construction | Closing Balance | Opening Balance | Depreciation | Disposals | Impairment loss/Reversal of impairment loss | Closing Balance | | | |
| | R | R | R | R | R | R | R | R | R | R | R | R | R |
| Land and building | 2,833,212 | 57,684 | - | - | 2,890,896 | (599,774) | (95,562) | - | - | -695,336 | - | - | 2,195,560 |
| | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other assets | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | 16,974,344 | 9,053,221 | (160,737) | - | 25,866,828 | (2,714,688) | (743,519) | 93,727 | - | (3,364,480) | - | - | 22,502,348 |
| Furniture & Fittings | 991,561 | 30,750 | (54,292) | - | 968,019 | (833,645) | (251,751) | 39,104 | - | (1,046,292) | - | - | (78,273) |
| Office Equipment | 1,493,967 | 93,835 | (173,455) | - | 1,414,347 | (507,619) | (188,981) | 121,633 | - | (574,967) | - | - | 839,381 |
| Community Facilities | 10,656,695 | 4,325,727 | - | 2,632,535 | 17,614,957 | (284,026) | (146,642) | - | - | (430,668) | - | - | 17,184,289 |
| Motor Vehicles | 1,051,745 | - | - | - | 1,051,745 | (888,727) | (184,723) | - | - | (1,073,451) | - | - | (21,706) |
| Sport Facilities | 2,780,376 | 623,456 | - | 181,816 | 3,585,648 | (200,671) | (419,590) | - | - | (620,261) | - | - | 2,965,387 |
| | 16,974,344 | 5,073,768 | (227,747) | 2,814,351 | 24,634,716 | (2,714,688) | (1,191,688) | 160,737 | - | (3,745,639) | - | - | 20,889,077 |
| Heritage Assets | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Historical Buildings | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Paintings & Artifacts | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total carried forward | 16,974,344 | 5,131,452 | (227,747) | 2,814,351 | 27,525,612 | (3,314,462) | (1,287,250) | 160,737 | - | (4,440,975) | - | - | 23,084,637 |

The Municipality has no land quarries

Ntambanana Municipality
APPENDIX B
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
as at 30 June 2011

| | Cost / Revaluation | | | | | Accumulated Depreciation | | | | Carrying value |
|-----------------------------|--------------------|------------------|--------------------|------------------|-------------------|--------------------------|--------------------|----------------|--------------------|-------------------|
| | Opening Balance | Additions | Under Construction | Disposals | Closing Balance | Opening Balance | Additions | Disposals | Closing Balance | |
| | R | R | R | R | R | R | R | R | R | |
| Executive & Council | 19,807,556 | 7,945,804 | 2,814,351 | (227,747) | 27,525,612 | (3,314,462) | (1,287,250) | 160,737 | (4,440,974) | 23,084,638 |
| Finance & Admin | | | | | | | | | | |
| Planning & Development | | | | | | | | | | |
| Health | | | | | | | | | | |
| Community & Social Services | | | | | | | | | | |
| Public Safety | | | | | | | | | | |
| Sport & Recreation | | | | | | | | | | |
| Environmental Protection | | | | | | | | | | |
| Waste Management | | | | | | | | | | |
| Road Transport | | | | | | | | | | |
| Water | | | | | | | | | | |
| Electricity | | | | | | | | | | |
| Other | | | | | | | | | | |
| Total | 19,807,556 | 7,945,804 | 2,814,351 | (227,747) | 27,525,612 | (3,314,462) | (1,287,250) | 160,737 | (4,440,974) | 23,084,638 |

Ntambanana Municipality
APPENDIX C
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2011

| 2010 | 2010 | 2010 | | 2011 | 2011 | 2011 |
|-------------------|--------------------|---------------------|--------------------------------|-------------------|--------------------|---------------------|
| Actual Income | Actual Expenditure | Surplus / (Deficit) | | Actual Income | Actual Expenditure | Surplus / (Deficit) |
| R | R | R | | R | R | R |
| - | 26,476,863 | (26,476,863) | Executive & Council | - | 34,760,538 | (34,760,538) |
| 42,378,240 | 2,861,895 | 39,516,345 | Finance & Admin | 51,024,923 | 3,365,341 | 47,659,582 |
| - | 4,058,163 | (4,058,163) | Corporate Services | - | 3,413,660 | (3,413,660) |
| - | 1,726,047 | (1,726,047) | Planning & Development | - | 642,697 | (642,697) |
| 42,378,240 | 35,122,969 | 7,255,271 | | | | |
| - | - | - | Less: Inter-Department Charges | | | |
| 42,378,240 | 35,122,969 | 7,255,271 | Total | 51,024,923 | 46,823,454 | 4,201,469 |

Ntambanana Municipality

APPENDIX D

STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION

as at 30 June 11

| Description | Original Budget | Budget Adjustments (i.t.o. s28 & s31 Of The MFMA) | Virement (i.t.o. Council Approved By- law) | Final Budget | Actual Income | Unauthorised Expenditure | Variance | Actual Income As % Of Final Budget |
|--|-----------------|--|---|---------------|------------------|-----------------------------|--------------|--|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| | R | R | R | R | R | R | R | R |
| Financial Performance | | | | | | | | |
| Property Rates | 700,793.50 | 1,299,206.50 | | 2,000,000.00 | 2,091,692.00 | | 0.05 | 1.045846 |
| Transfers Recognised - Operational | 50,877,411.68 | | | 47,013,000.00 | 24,573,637 | | (0.48) | 0.522698763 |
| Other Own Revenue | | | | | | | | |
| Total Revenue (Excluding Capital Transfers & Contributions) | 51,578,205.18 | 1,299,206.50 | 0 | 49,013,000.00 | 26665328.95 | 0 | -0.431455237 | 1.568544763 |
| Employee Costs | 9,308,463.39 | -1,533,121.61 | 0 | 7,775,341.78 | 7,808,231 | | 0.00 | 1.004229939 |
| Remuneration Of Councillors | 2,367,409.99 | - | | 2,367,409.99 | 2,324,044 | | (0.02) | 0.981682096 |
| Debt Impairment | 141,756.12 | 160,673.40 | | 302,429.52 | 547421 | | 0.81 | 1.810077932 |
| Total Expenditure | 11,817,629.50 | -1372448.21 | 0 | 10,445,181.29 | 10679696 | 0 | 0.795989966 | 3.795989966 |
| Surplus/(Deficit) | 39,760,575.68 | 2,671,654.71 | 0 | 38,567,818.71 | 15985632.95 | 0 | -1.227445203 | -2.227445203 |
| Transfers Recognised - Capital | | | | | | | | |
| Contributions Recognised - Capital & Contributed Assets | | | | | | | | |
| Surplus/(Deficit) After Capital Transfers & Contributions | 39760575.68 | 2,671,654.71 | 0 | 38,567,818.71 | 15985632.95 | 0 | -1.227445203 | -2.227445203 |
| Share Of Surplus/(Deficit) Of Associate | | | | | | | | |
| Surplus/(Deficit For The Year) | 39,760,575.68 | 2,671,654.71 | 0 | 38,567,818.71 | 15985632.95 | 0 | -1.227445203 | -2.227445203 |
| Capital Expenditure & Funds Sources | | | | | | | | |
| Capital Expenditure | | | | | | | | |
| Transfers Recognised - Capital(MIG) | 8,475,000.00 | 0 | | 8,475,000.00 | 7873860.17 | | (0.07) | 0.929069047 |
| Total Sources Of Capital Funds | 8475000 | 0 | 0 | 8475000 | 7873860.17 | 0 | -0.070930953 | 0.929069047 |
| | | | | | | | | |
| Cash flows | | | | | | | | |
| Net Cash From (Used) Operating | 39,618,819.56 | 2,510,981.31 | | 38,265,389.19 | 6544626 | | (0.83) | 0.171032522 |
| Net Cash From (Used) Investing | | | | | | | | |
| Net Cash From (Used) Financing | -8,475,000.00 | 0 | | -8,475,000.00 | 7873860.17 | | (1.93) | -0.929069047 |
| Cash/Cash Equivalents At The Year End | 31,143,819.56 | 2,510,981.31 | 0 | 29,790,389.19 | 14418486.17 | 0 | -2.758036525 | -0.758036525 |
| | | | | | | | | |